



2022 Scope 1 and 2 Carbon Emissions Basis of Reporting

Background

As a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), Legal & General Group plc (Legal & General) commit to disclosing climate-related financial information through an annual climate report which aligns to TCFD recommendations and is supplementary to its annual report and accounts.

These disclosures will report the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and will follow the requirements of the Streamlined Energy & Carbon Reporting (SECR) framework. The greenhouse gas (GHG) emissions data will be reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Introduction

This basis of reporting document sets out how Legal & General prepares its reporting for scope 1, scope 2 (location-based) and scope 2 (market-based) GHG emissions.

It is the responsibility of Legal & General management to ensure that appropriate internal procedures are in place to report GHG emissions performance data, in all material respects, as set out in this document.

These procedures ensure that:

- the reported information reflects Legal & General's performance;
- the data is meaningful and is consistent with the stated definitions and scope;
- any specific exclusions are stated clearly and explained;
- any assumptions made as well as the accounting and calculation methods are clearly described; and

- the level of transparency is sufficient to enable users to have confidence in the integrity of Legal & General's reporting.

Scope

Legal & General discloses its annual scope 1 and 2 carbon emissions for the whole of Legal & General Group, its subsidiaries and joint ventures¹.

Legal & General apply the operational control methodology as set out in the Greenhouse Gas Protocol i.e. Legal & General include all operations directly controlled, such as the energy from the offices Legal & General occupy², Legal & General landlord activities, including property under Legal & General's control until point of occupation/sale and void properties under Legal & General control, as well as the construction of new homes within Legal & General's housing business and joint ventures.

The carbon emissions data that is reported is aligned with the group's financial reporting year, 1st January to 31st December, unless otherwise stated, noting that LGIM Real Assets data is reported annually from 1 December to 30 November and Inspired Villages Group data is reported from 1 October to 30 September.

Legal & General include newly acquired businesses as soon as the appropriate processes and systems are implemented to enable consistent data collation and Legal & General group level consolidation. The results of disposed businesses are included up to the date of disposal.

Base year emissions data from 2019 is included to help demonstrate Legal & General's emissions trajectory.

Reporting Standards

Legal & General's reporting disclosures follow the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol)³, and the UK Government's SECR⁴ requirements. In line with these reporting standards Legal & General disclose scope 1 and scope 2 carbon emissions.

Scope 1: Direct carbon emissions: Direct GHG emissions occur from sources that are owned or controlled by Legal & General, for example, emissions from combustion in owned or controlled boilers.

Scope 2: indirect carbon emissions: emissions from the generation of purchased electricity and district heating. Legal & General report scope 2 emissions in accordance with GHG Protocol guidance:

- Location based: the carbon emissions from purchased (power) are calculated using the national grid average emission conversion factors in the countries Legal & General operate within.
- Market based: all electricity purchased is converted to carbon emissions using factors from contractual instruments which Legal & General has purchased or entered into.

Please note that scope 1 and 2 data has been subject to independent limited assurance by Deloitte and their assurance opinion can be found on pages 41 and 42 of the climate report.

Data Collection

In building Legal & General's scope 1 and 2 carbon emissions footprint, internal carbon reporting procedures are implemented to capture and collate data. Data owners, data type and frequency are outlined in an internal data dictionary which is used to track data collection throughout the annual reporting period.

Data is collected across the business and aggregated to provide a groupwide carbon footprint. All underlying data is collated by each business using consistent methods of collection, e.g. half hourly meter readings, utility bills and physical meter readings.

Legal & General's approach is to use actual data where it is practical and feasible to do so. In some instances, it may be necessary to use estimated data or extrapolated data that is based on data from other parts of the business or industry benchmarks. For example, we have internal procedures for:

- for the use of estimates where we do not have access to metered or invoiced data within the period.
- for estimating refrigerant gas data when actual engineering reports are not available in the reporting period.

Legal & General use the following industry benchmarks; CIBSE TM46 and Real Estate Environment Benchmark.

Legal & General utilise a range of data sources which are outlined on the following page.

1. Joint ventures are included in the footprint where Legal & General are the majority shareholder or have operational control. Includes offices Legal & General occupy where Legal & General actively control the management of utilities.
 2. Includes offices Legal & General occupy where Legal & General actively control the management of utilities.
 3. The Greenhouse Gas Protocol Corporate Reporting standard: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>
 4. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf

Data Collection continued

Scope 1 carbon emissions:

- Purchased fuels: invoices and expenses system for vehicle fuels.
- Gas purchased: meter readings, energy contractor reports, invoices and estimates based on relevant industry benchmarks. e.g. CIBSE TM46.

Scope 2 carbon emissions:

- Electricity purchased: meter readings, energy contractor reports, invoices and estimates based on relevant industry benchmarks. e.g. Real Estate Environment Benchmark.
- District heating: energy contractor reports.
- Self-generated electricity: meter readings.

Fugitive emissions (included within scope 1):

- Invoices and engineering reports for top up gases and regulatory 'F-gas' registers¹.

The data is subject to review and approval by each business before being submitted for aggregation at the Legal & General group level. Following submission, it is further reviewed by the group environment team to confirm the accuracy and reliability of the data submitted and conversion factors applied. Queries are raised with data owners to address anomalies.

As stated above the scope 1 and 2 data is subject to independent limited assurance by Deloitte, as well as internal legal review prior to publication. Checks are also undertaken at the half and full year period at a group level and data is shared with the Group Environment Committee prior to inclusion in annual disclosures.

GHG Emissions Conversion Factors

Legal & General's carbon emissions are calculated using current and publicly available emission conversion factors. Consumption data, such as kWh or litres of fuel, is converted into tonnes of CO_{2e}.

The primary source of Legal & General's emission conversion factors are:

- The Department for Business, Energy and Industrial Strategy (BEIS).
- For international operations in the US, The United States Environmental Protection Agency (EPA).

The BEIS conversion factors are updated halfway through the year and Legal & General apply the relevant conversion factor to each associated period².

For scope 2 market-based methodology, the carbon emissions are determined by contractual instruments which Legal & General has purchased or entered into such as Renewable Energy Guarantees of Origin ('REGO'), power purchasing agreements and utility contracts and can therefore be counted as a zero greenhouse gas emission factor. Noting that, there is a period for which electricity purchased on a renewable tariff cannot be evidenced as REGO-backed, because the REGO and Legal & General reporting periods do not align; therefore, REGO certificates allocated in a given year may not cover all electricity consumption within that reporting period. In this instance, a reasonable assumption is made for those months of consumption, that the electricity consumed is on a renewable tariff, as it is within the same contract period. Where REGO certificates are unavailable at the date of reporting, but the corresponding supplier contractual commitment is for 100% of the supply to be REGO backed, the relevant usage is reported as REGO-backed.

Exclusions

Legal & General apply exclusions in accordance with the GHG Protocol and the UK Government's guidance on SECR requirements.

Legal & General's primary exclusions are joint ventures where Legal & General are not the majority shareholder or do have operational control.

Please note, CALA Homes own approximately 30 vehicles, which due to limited access to accurate data, are excluded from scope 1 and instead included within scope 3 emissions. This equates to less than 1% of the CALA Homes footprint and is therefore not considered a material issue.

Restatement of reported data

Legal & General's expectation is that all data is reported accurately and completely. However, given the complexities associated with some of the data, including the use of estimates, there can be instances where it may be necessary to amend data reported in prior years, due to the availability of higher quality data or a change in the data collating processes.

Where Legal & General believe there is a material impact³ on previously reported data, the data will be restated along with an explanatory note.

1. Noting that LGIM Real Assets fugitive emissions are estimated as LGIM Real Assets does not have access to the 'f-gas' register for every building under management.
 2. Affordable homes and Real Assets businesses apply the end year conversion factor to the 12 month period of collated data, noting that these businesses report data 1 October to 30 September and 1 December to 30 November respectively.
 3. Either a change of 5% or more from the original stated data or where there is a material impact from the operational business.